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REFERENCE TITLE: **schools; administrative paperwork; reduction**

State of Arizona
Senate
Forty-sixth Legislature
Second Regular Session
2004

SB 1277

Introduced by
Senator Mead

AN ACT

AMENDING SECTIONS 15-231, 15-354, 15-715, 15-904, 15-905, 15-943.01, 15-991, 35-501, 35-502 AND 43-1089.01, ARIZONA REVISED STATUTES; RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-231, Arizona Revised Statutes, is amended to
3 read:

4 15-231. Department of education

5 A. There is created a department of education.

6 B. The department shall be administered through:

7 1. The state board of education which shall be the policy determining
8 body of the department.

9 2. The superintendent of public instruction in whom all executive,
10 administrative and ministerial functions of the department are vested and who
11 is the executive officer of the state board of education.

12 C. In addition to any divisions established by law, the superintendent
13 of public instruction may establish such divisions as in the judgment of the
14 superintendent of public instruction are necessary for the proper transaction
15 of the business of the department.

16 D. The department shall be conducted under the control of the
17 superintendent of public instruction.

18 E. ALL AGENCIES AND POLITICAL SUBDIVISIONS OF THIS STATE THAT REQUEST
19 INFORMATION OR DATA FROM A SCHOOL DISTRICT, A SCHOOL THAT IS PART OF A SCHOOL
20 DISTRICT OR A CHARTER SCHOOL SHALL COORDINATE THESE REQUESTS THROUGH THE
21 DEPARTMENT OF EDUCATION.

22 Sec. 2. Section 15-354, Arizona Revised Statutes, is amended to read:

23 15-354. Principals; supplies and materials purchases

24 A. Notwithstanding any other law, the governing board of a school
25 district may authorize school principals to sign negotiable instruments on
26 behalf of the school district if the negotiable instruments are used for the
27 purchase of supplies and materials that are necessary to conduct the
28 operations of the school.

29 B. Purchases made pursuant to this section are exempt from title 41,
30 chapter 23 and the rules prescribed pursuant to section 15-213.

31 C. A school district that purchases supplies and materials pursuant to
32 this section shall maintain a separate account in its maintenance and
33 operation budget for each authorized school in the district for the purchase
34 of supplies and materials. The amount of available monies in each school's
35 supplies and materials account shall not exceed five thousand dollars.

36 D. Within thirty days of any purchase made pursuant to this section,
37 the principal shall supply the governing board of the school district with a
38 receipt from the seller of the supplies and materials that shows the price
39 paid for each item purchased.

40 E. The principal and the governing board shall ensure that all
41 purchases made pursuant to this section comply with the uniform system of
42 financial records.

43 F. A PRINCIPAL MAY DELEGATE THE PURCHASING AUTHORITY GRANTED BY THE
44 GOVERNING BOARD PURSUANT TO THIS SECTION TO ONE OR MORE SUBORDINATE EMPLOYEES
45 AT THAT SCHOOL.

Sec. 3. Section 15-715, Arizona Revised Statutes, is amended to read:
15-715. Special academic assistance to pupils in kindergarten
programs and grades one through three

A. Each common and unified school district shall develop a plan to supplement the regular education program by providing special academic assistance to pupils in kindergarten programs and grades one through three. The purpose of the special academic assistance is to assist pupils in developing the minimum skills necessary for fourth grade work by the end of the third grade. Special academic assistance, at a minimum, shall focus on pupils who, because of innate factors, are not succeeding in the school environment as identified by parents, guardians or school personnel. These pupils may include, but are not limited to, those who do not qualify for special education services, who have measured intelligence quotients of between seventy and eighty-five or who exhibit characteristics of attention deficit disorder or learning patterns attributable to prenatal substance exposure. The plan shall include:

1. Procedures for use in identifying pupils in need of special academic assistance.
2. Special services for provision of special academic assistance through the regular program of instruction.
3. Procedures for involving parents in the program.
4. Evaluation procedures for use in assessing the progress of the pupils in the program.

B. Each common and unified school district shall implement its program of special academic assistance to pupils in kindergarten programs and grades one through three by the 1986-1987 school year.

C. The teacher of a pupil enrolled in a special academic assistance program shall review the pupil's academic achievement each regular reporting period. Parents shall be notified of the progress of their child in the special academic assistance program by the established reporting method of the school district.

~~D. By November 1, each common and unified school district shall prepare an annual report for the prior fiscal year, using a format which is developed by the department of education and which includes a general description of the district's special academic assistance program and the monies expended on the program.~~

~~E.~~ D. The state board of education shall develop and provide the following to all common and unified school districts:

1. Competency requirements for the promotion of pupils from the third grade as prescribed in section 15-701.
2. Model plans for special academic assistance programs which include all of the items specified in subsection A of this section.

~~F.~~ E. The department of education shall provide technical assistance to school districts in developing and implementing their plan. The

1 assistance shall include assistance with all of the items specified in
2 subsection A of this section.

3 Sec. 4. Section 15-904, Arizona Revised Statutes, is amended to read:

4 15-904. School district annual financial report; publication;
5 summary; exemption

6 A. The governing board of each school district shall publish an annual
7 financial report ~~on a school by school basis~~ for the prior fiscal year by
8 November 15. The auditor general in conjunction with the department of
9 education shall prescribe the format of the financial report to be used by
10 school districts. The financial report shall contain budgeted and actual
11 expenditures for the preceding fiscal year and shall be prepared and
12 distributed by October 15 by the school district with a copy to the county
13 school superintendent. A copy of the annual financial report shall be
14 submitted electronically by the school district to the superintendent of
15 public instruction by October 15. The annual financial report shall be
16 approved by the county school superintendent in an electronic procedure as
17 prescribed by the department of education. School districts that are subject
18 to section 15-914.01 are not required to send a copy to the county school
19 superintendent.

20 B. In addition to the information required in subsection A of this
21 section, the annual financial report shall contain detailed information on
22 the school district budgeted and actual expenditures from the bond building
23 fund, the soft capital allocation fund, the deficiencies correction fund, the
24 building renewal fund and the new school facilities fund, including but not
25 limited to information on classified salaries, employee benefits, interest
26 and fiscal charges, capital lease agreements, land and improvements,
27 buildings and improvements, furniture and equipment, technology and vehicles
28 and transportation equipment for pupils. The information shall specify
29 whether the expenditures are for school district renovation or for new
30 construction, the cost per square foot, and land acquisition costs, as
31 appropriate. The reporting by individual schools shall be limited to annual
32 expenditures aggregated by major function for the maintenance and operation,
33 unrestricted capital outlay and soft capital allocation funds.

34 C. Except as provided in subsection D of this section, the governing
35 board shall publish, by November 15, the annual financial report for the
36 school district ~~on a school by school basis~~ in a newspaper of general
37 circulation within the school district, ~~or~~ in the official newspaper of the
38 county as defined in section 11-255 OR ON A WEB SITE MAINTAINED BY THE
39 DEPARTMENT OF EDUCATION or the governing board may mail the annual financial
40 report to each household in the school district. If the governing board
41 chooses to publish the report in a newspaper, the size of the newspaper print
42 shall be at least eight-point type. The cost of publication or mailing shall
43 be a charge against the school district. The publisher's affidavit of
44 publication shall be filed by the governing board of the school district with

the superintendent of public instruction within thirty days after publication.

D. The governing board may publish or mail a summary of the annual financial report in the same manner as provided in subsection C of this section. The auditor general in conjunction with the department of education shall prescribe the form of the summary of the annual financial report for use by the governing boards.

E. The superintendent of public instruction shall compile the financial reports of the school districts ~~on a school by school basis~~ and shall report to the governor and the legislature on or before January 15 of each year as provided in section 15-255.

Sec. 5. Section 15-905, Arizona Revised Statutes, is amended to read:

15-905. School district budgets; notice; adoption; aggregate budget limit; summary; adjustments; definition

A. Not later than July 5 of each year or no later than the publication of notice of the public hearing and board meeting as required by this section, the governing board of each school district shall prepare and furnish to the superintendent of public instruction and the county school superintendent, unless waived by the county school superintendent, a proposed budget in electronic format for the budget year, which shall contain the information and be in the form as provided by the department of education. The proposed budget shall include the following:

1. The total amount of revenues from all sources that was necessary to meet the school district's budget for the current year.

2. The total amount of revenues by source that will be necessary to meet the proposed budget of the school district, excluding property taxes. The governing board shall prepare the proposed budget and a summary of the proposed budget. Both documents shall be kept on file at the school district office and shall be made available to the public upon request. The auditor general in conjunction with the department of education shall prescribe the form of the summary of the proposed budget for use by governing boards. School district governing boards may include in the proposed budget any items or amounts which are authorized by legislation filed with the secretary of state and which will become effective during the budget year. If subsequent events prevent the legislation from becoming effective, school district governing boards must reduce their budgets by the amounts budgeted pursuant to the legislation which did not become effective.

B. The governing board of each school district shall prepare a notice fixing a time not later than July 15 and designating a public place within each school district at which a public hearing and board meeting shall be held. The governing board shall present the proposed budget for consideration of the residents and the taxpayers of the school district at such hearing and meeting.

C. The governing board of each school district shall publish or mail, prior to the hearing and meeting, a copy of the proposed budget or the

1 summary of the proposed budget and, in addition, a notice of the public
2 hearing and board meeting no later than ten days prior to the meeting. The
3 proposed budget and the summary of the proposed budget shall contain the
4 percentage of increase or decrease in each budget category of the proposed
5 budget as compared to each category of the budget for the current year.
6 Notification shall be either by publication in a newspaper of general
7 circulation within the school district in which the size of the newspaper
8 print shall be at least eight-point type, **BY ELECTRONIC TRANSMISSION OF THE**
9 **INFORMATION TO THE DEPARTMENT OF EDUCATION FOR POSTING ON THE DEPARTMENT'S**
10 **WEB SITE** or by mailing the information to each household in the school
11 district. The cost of publication, **WEB SITE POSTING** or mailing shall be a
12 charge against the school district. The publisher's affidavit of publication
13 shall be filed by the governing board with the superintendent of public
14 instruction within thirty days after publication. If the budget or proposed
15 budget and notice are **POSTED ON A WEB SITE MAINTAINED BY THE DEPARTMENT OF**
16 **EDUCATION OR** mailed, the board shall file an affidavit ~~of mailing~~ with the
17 superintendent of public instruction within thirty days after the mailing **OR**
18 **THE DATE THAT THE INFORMATION IS POSTED ON THE WEB SITE.** If a truth in
19 taxation notice and hearing is required under section 15-905.01, the
20 governing board may combine the notice and hearing under this section with
21 the truth in taxation notice and hearing.

22 D. At the time and place fixed in the notice, the governing board
23 shall hold the public hearing and present the proposed budget to the persons
24 attending the hearing. Upon request of any person, the governing board shall
25 explain the budget, and any resident or taxpayer of the school district may
26 protest the inclusion of any item. A governing board member who has a
27 substantial interest, as defined in section 38-502, in a specific item in the
28 school district budget shall refrain from voting on the specific item. A
29 governing board member may without creating a conflict of interest
30 participate in adoption of a final budget even though the member may have
31 substantial interest in specific items included in the budget.

32 E. Immediately following the public hearing the president shall call
33 to order the governing board meeting for the purpose of adopting the budget.
34 The governing board shall adopt the budget which shall not exceed the general
35 budget limit, the unrestricted capital budget limit or the soft capital
36 allocation limit, making such deductions as it sees fit but making no
37 additions to the proposed budget total for maintenance and operations or
38 capital outlay, and shall enter the budget as adopted in its minutes. Not
39 later than July 18, the budget as finally adopted shall be filed by the
40 governing board with the county school superintendent who shall immediately
41 transmit a copy to the board of supervisors. Not later than July 18, the
42 budget as finally adopted shall be submitted electronically to the
43 superintendent of public instruction. On or before October 30, the
44 superintendent of public instruction shall review the budget and notify the
45 governing board if the budget is in excess of the general budget limit, the

1 unrestricted capital budget limit or the soft capital allocation limit. If
2 the governing board receives notification that the budget is in excess of the
3 general budget limit, the unrestricted capital budget limit or the soft
4 capital allocation limit by fewer than one thousand dollars, the governing
5 board shall adjust the budget and expenditures so as not to exceed the
6 general budget limit, the unrestricted capital budget limit or the soft
7 capital allocation limit for the current year. If the governing board
8 receives notification that the budget is in excess of the general budget
9 limit, the unrestricted capital budget limit or the soft capital allocation
10 limit by one thousand dollars or more, it shall on or before December 15,
11 after it gives notice and holds a public meeting in a similar manner as
12 provided in subsections C and D of this section, adopt a revised budget for
13 the current year which shall not exceed the general budget limit, the
14 unrestricted capital budget limit or the soft capital allocation limit. On
15 or before December 18, the governing board shall file the revised budget
16 which it adopts with the county school superintendent who shall immediately
17 transmit a copy to the board of supervisors. Not later than December 18, the
18 budget as revised shall be submitted electronically to the superintendent of
19 public instruction. School districts that are subject to section 15-914.01
20 are not required to send a copy of revised budgets to the county school
21 superintendent. Procedures for adjusting expenditures or revising the budget
22 shall be as prescribed in the uniform system of financial records.

23 F. The governing board of each school district may budget for
24 expenditures within the school district budget as follows:

25 1. Amounts within the general budget limit, as provided in section
26 15-947, subsection C, may only be budgeted in the following sections of the
27 budget:

28 (a) The maintenance and operation section.

29 (b) The capital outlay section.

30 2. Amounts within the unrestricted capital budget limit, as provided
31 in section 15-947, subsection D, may only be budgeted in the unrestricted
32 capital outlay subsection of the budget. Monies received pursuant to the
33 unrestricted capital budget limit shall be placed in the unrestricted capital
34 outlay fund. The monies in the fund are not subject to reversion.

35 3. The soft capital allocation limit, as provided in section 15-947,
36 subsection E, may only be budgeted in the soft capital allocation subsection
37 of the budget.

38 G. The governing board may authorize the expenditure of monies
39 budgeted within the maintenance and operation section of the budget for any
40 subsection within the section in excess of amounts specified in the adopted
41 budget only by action taken at a public meeting of the governing board and if
42 the expenditures for all subsections of the section do not exceed the amount
43 budgeted as provided in this section. Until June 30, 1999, the governing
44 board may authorize the expenditure of monies to exceed the budgeted
45 expenditures of the capital outlay section of the budget only by action taken

1 at a public meeting of the governing board and if monies are available in the
2 reserve.

3 H. The aggregate budget limit is the sum of the following:

4 1. The general budget limit as determined in section 15-947 for the
5 budget year.

6 2. The unrestricted capital budget limit as determined in section
7 15-947 for the budget year.

8 3. The soft capital allocation limit for the budget year as determined
9 in section 15-947.

10 4. Federal assistance, excluding P.L. 81-874 monies.

11 I. School districts which overestimated tuition revenues as provided
12 in section 15-947, subsection C, paragraph 2 shall adjust the general budget
13 limit and expenditures based upon tuition revenues for attendance of
14 nonresident pupils during the current fiscal year. School districts which
15 underestimated tuition revenues may adjust their budgets prior to May 15
16 based upon tuition revenues for attendance of nonresident pupils during the
17 current fiscal year. School districts which overestimated revenues as
18 provided in section 15-947, subsection C, paragraph 2, subdivision (a), items
19 (iii), (iv) and (v) and subdivision (d) shall adjust the general budget limit
20 and expenditures based on actual revenues during the current fiscal year.
21 School districts which underestimated such revenues may adjust their budgets
22 before May 15 based on actual revenues during the current fiscal year.
23 Procedures for completing adjustments shall be as prescribed in the uniform
24 system of financial records. Not later than May 18, the budget as adjusted
25 shall be submitted electronically to the superintendent of public
26 instruction.

27 J. A common school district not within a high school district whose
28 estimated tuition charge for high school pupils exceeds the actual tuition
29 charge for high school pupils shall adjust the general budget limit and
30 expenditures based on the actual tuition charge. Not later than May 18, the
31 budget as adjusted shall be submitted electronically to the superintendent of
32 public instruction. A common school district not within a high school
33 district whose estimated tuition charge for high school pupils is less than
34 the actual tuition charge for high school pupils may adjust its budget before
35 May 15 based on the actual tuition charge. Procedures for completing
36 adjustments shall be as prescribed in the uniform system of financial
37 records. If the adjusted general budget limit requires an adjustment of
38 state aid and if the adjustment to state aid is not made in the current year,
39 the superintendent of public instruction shall adjust by August 15 of the
40 succeeding fiscal year the apportionment of state aid to the school district
41 to correct any overpayment or underpayment of state aid received during the
42 current year.

43 K. The governing board may include P.L. 81-874 assistance allocated
44 for children with disabilities, children with specific learning disabilities
45 and children residing on Indian lands which is in addition to basic

1 assistance when determining the general budget limit as prescribed in section
2 15-947, subsection C. The governing board may adjust before May 15 the
3 budget for the current year based on any adjustments which result in
4 increases over the amount estimated by the superintendent of public
5 instruction for P.L. 81-874 assistance for such pupils for the fiscal year
6 preceding the current year. The governing board shall adjust before May 15
7 the budget for the current year based on any adjustments which result in
8 decreases in the amount estimated by the superintendent of public instruction
9 for P.L. 81-874 assistance for such pupils for the fiscal year preceding the
10 current year. Not later than May 18, the budget as adjusted shall be
11 submitted electronically to the superintendent of public instruction.
12 Procedures for complying with the provisions of this subsection shall be as
13 prescribed in the uniform system of financial records.

14 L. The state board of education shall hold a hearing if expenditures
15 by any school district exceed the general budget limit prescribed in section
16 15-947, subsection C, the unrestricted capital budget limit, the soft capital
17 allocation limit prescribed in section 15-947, subsection E, the school plant
18 fund limits prescribed in section 15-1102, subsection B, the maintenance and
19 operation section of the budget or the capital outlay section of the budget.
20 If the expenditures of any school district exceed these limits or sections of
21 the budget without authorization as provided in section 15-907, the state
22 board of education shall reduce the state aid for equalization assistance for
23 education for the school district computed as provided in section 15-971
24 during the fiscal year subsequent to the fiscal year in which the excess
25 expenditures were made by an amount equal to the excess expenditures, except
26 that in case of hardship to the school district, the superintendent of public
27 instruction may approve reductions partly in the first subsequent year and
28 partly in the second subsequent year.

29 M. The governing board of a school district shall reduce the general
30 budget limit, the unrestricted capital budget limit or the soft capital
31 allocation limit, for the year subsequent to the year in which the
32 expenditures were in excess of the applicable limit or section of the budget
33 by the amount determined in subsection L of this section, except that in case
34 of hardship to the school district, the superintendent of public instruction
35 may approve reductions partly in the first subsequent year and partly in the
36 second subsequent year. The reduction in the limit is applicable to each
37 school district which has exceeded the general budget limit, the unrestricted
38 capital budget limit, the soft capital allocation limit or a section of the
39 budget even if the reduction exceeds the state aid for equalization
40 assistance for education for the school district.

41 N. Except as provided in section 15-916, no expenditure shall be made
42 by any school district for a purpose not included in the budget or in excess
43 of the aggregate budget limit prescribed in this section, except that if no
44 budget has been adopted, from July 1 to July 15 the governing board may make
45 expenditures if the total of the expenditures does not exceed ten per cent of

1 the prior year's aggregate budget limit. Any expenditures made from July 1
2 to July 15 and prior to the adoption of the budget shall be included in the
3 total expenditures for the current year. No expenditure shall be made and no
4 debt, obligation or liability shall be incurred or created in any year for
5 any purpose itemized in the budget in excess of the amount specified for the
6 item irrespective of whether the school district at any time has received or
7 has on hand funds in excess of those required to meet the expenditures,
8 debts, obligations and liabilities provided for under the budget except
9 expenditures from cash controlled funds as defined by the uniform system of
10 financial records and except as provided in section 15-907 and subsection G
11 of this section. This subsection does not prohibit any school district from
12 prepaying insurance premiums or magazine subscriptions, or from prepaying any
13 item which is normally prepaid in order to procure the service or to receive
14 a discounted price for the service, as prescribed by the uniform system of
15 financial records.

16 0. The governing board of a school district which is classified as a
17 heavily impacted school district having twenty per cent or more pupils
18 pursuant to 20 United States Code section 238(d)1(A) may determine its
19 eligibility to increase the amount that may be included in determining the
20 general budget limit as provided in subsection K of this section and may
21 increase the amount as follows:

22 1. For fiscal year 1988-1989:

23 (a) Multiply one thousand ninety-four dollars by the number of
24 children with disabilities or children with specific learning disabilities,
25 excluding children who also reside on Indian lands, reported to the division
26 of impact aid, United States department of education in the district's
27 application for fiscal year 1987-1988.

28 (b) Multiply five hundred forty-seven dollars by the number of
29 children residing on Indian lands, excluding children who have disabilities
30 or also have specific learning disabilities, reported to the division of
31 impact aid, United States department of education in the district's
32 application for fiscal year 1987-1988.

33 (c) Multiply one thousand nine hundred fourteen dollars by the number
34 of children residing on Indian lands who have disabilities or also have
35 specific learning disabilities reported to the division of impact aid, United
36 States department of education in the district's application for fiscal year
37 1987-1988.

38 (d) Add the amounts determined in subdivisions (a) through (c).

39 (e) If the amount of P.L. 81-874 assistance as provided in subsection
40 K of this section is less than the sum determined in subdivision (d) of this
41 paragraph, the district is eligible to use the provisions of this subsection.

42 2. For budget years after 1988-1989, use the provisions of paragraph 1
43 of this subsection, but increase each dollar amount by the growth rate for
44 that year as prescribed by law, subject to appropriation and use the number
45 of children reported in the appropriate category for the current fiscal year.

1 3. If the district is eligible to use the provisions of this
2 subsection, subtract the amount of P.L. 81-874 assistance determined in
3 subsection K of this section from the sum determined in paragraph 1,
4 subdivision (d) of this subsection. The difference is the increase in the
5 amount that may be included in determining the general budget limit as
6 provided in subsection K of this section, if including this amount does not
7 increase the district's primary tax rate for the budget year. If the amount
8 of P.L. 81-874 assistance determined in subsection K of this section is
9 adjusted for the current year, the increase determined in this paragraph
10 shall be recomputed using the adjusted amount and the recomputed increase
11 shall be reported to the department of education by May 15 on a form
12 prescribed by the department of education.

13 4. If a district uses the provisions of this subsection, the district
14 is not required to adjust its budget for the current year based on
15 adjustments in the estimated amount of P.L. 81-874 assistance as provided in
16 subsection K of this section.

17 P. A school district, except for an accommodation school, which
18 applies for P.L. 81-874 assistance during the current year may budget an
19 amount for P.L. 81-874 administrative costs for the budget year. The amount
20 budgeted for P.L. 81-874 administrative costs is exempt from the revenue
21 control limit and may not exceed an amount determined for the budgeted year
22 as follows:

23 1. Determine the minimum cost. The minimum cost for fiscal year
24 1990-1991 is two thousand three hundred forty-three dollars. For fiscal year
25 1991-1992 and thereafter, the minimum cost is the minimum cost for the prior
26 year increased by the growth rate as prescribed by law, subject to
27 appropriation.

28 2. Determine the hourly rate. The hourly rate for fiscal year
29 1990-1991 is nine dollars thirty-eight cents. For fiscal year 1991-1992 and
30 thereafter, the hourly rate is the hourly rate for the prior year increased
31 by the growth rate as prescribed by law, subject to appropriation.

32 3. Determine the P.L. 81-874 revenues available by subtracting the
33 amount of P.L. 81-874 assistance used to increase the general budget limit as
34 provided in subsections K and O of this section for the current fiscal year
35 from the total amount of P.L. 81-874 revenues received in the current fiscal
36 year.

37 4. Determine the total number of administrative hours as follows:

38 (a) Determine the sum of the following:

39 (i) 1.00 hours for each high impact pupil who is not disabled or does
40 not have specific learning disabilities.

41 (ii) 1.25 hours for each high impact pupil who is disabled or has
42 specific learning disabilities.

43 (iii) 0.25 hours for each low impact pupil who is not disabled or does
44 not have specific learning disabilities.

1 (iv) 0.31 hours for each low impact pupil who is disabled or has
2 specific learning disabilities.

3 (b) For the purposes of this paragraph:

4 (i) "High impact pupil" means a pupil who resides on Indian lands or a
5 pupil who resides on federal property or in low rent housing and whose parent
6 is employed on federal property or low rent housing property or is on active
7 duty in uniformed service, as provided in P.L. 81-874, section 3(a) and as
8 reported in the application for P.L. 81-874 assistance in the current year.

9 (ii) "Low impact pupil" means a pupil who resides on nonfederal
10 property and has a parent who is employed on federal property or low rent
11 housing property or is on active duty in a uniformed service or a pupil who
12 resides on federal property or in low rent housing and who does not have a
13 parent who is employed on federal property or low rent housing property or is
14 on active duty in uniformed service, as provided in P.L. 81-874, section 3(b)
15 and as reported in the application for P.L. 81-874 assistance in the current
16 year.

17 5. Multiply the total number of administrative hours determined in
18 paragraph 4 of this subsection by the hourly rate determined in paragraph 2
19 of this subsection.

20 6. Determine the greater of the minimum cost determined in paragraph 1
21 of this subsection or the product determined in paragraph 5 of this
22 subsection.

23 7. Add to the amount determined in paragraph 6 of this subsection the
24 amount, if any, to be expended by the school district in the budget year
25 through an intergovernmental agreement with other school districts or the
26 department of education to provide P.L. 81-874 technical assistance to
27 participating districts.

28 8. Determine the lesser of the amount determined in paragraph 7 of
29 this subsection or the revenues available as determined in paragraph 3 of
30 this subsection.

31 9. The amount determined in paragraph 8 of this subsection is the
32 maximum amount which may be budgeted for P.L. 81-874 administrative costs for
33 the budget year as provided in this subsection.

34 10. If the governing board underestimated the amount that may be
35 budgeted for P.L. 81-874 administrative costs for the current year, the board
36 may adjust the general budget limit and the budget before May 15. If the
37 governing board overestimated the amount that may be budgeted for P.L. 81-874
38 administrative costs for the current year, the board shall adjust the general
39 budget limit and the budget before May 15.

40 Q. If a school district governing board has adopted a budget for a
41 fiscal year based on forms and instructions provided by the auditor general
42 and the department of education for that fiscal year and if, as a result of
43 the enactment or nonenactment of proposed legislation after May 1 of the
44 previous fiscal year, the budget is based on incorrect limits, does not
45 include items authorized by law or does not otherwise conform with law, the

governing board may revise its budget at a public hearing on or before September 15 to conform with the law. Not later than September 18, the budget as adjusted shall be submitted electronically to the superintendent of public instruction. If the governing board does not revise the budget on or before September 15 and if the budget includes any items not authorized by law or if the budget exceeds any limits, the governing board shall adjust or revise the budget as provided in subsection E of this section.

R. For the purposes of this section, "P.L. 81-874 assistance" means, for the current year, an amount equal to the final determination of P.L. 81-874 assistance for the fiscal year preceding the current year as confirmed by the division of impact aid, United States department of education or, if a final determination has not been made, the amount estimated by the superintendent of public instruction as confirmed by the division of impact aid, United States department of education and, for the budget year, an amount equal to the determination of P.L. 81-874 assistance for the fiscal year preceding the budget year as estimated by the superintendent of public instruction.

Sec. 6. Section 15-943.01, Arizona Revised Statutes, is amended to read:

15-943.01. Maintenance and operation budget balance; definition

A. The governing board of a school district may budget any budget balance in the maintenance and operation section of the budget, as provided in section 15-903, from the current fiscal year for use in the maintenance and operation section of the budget in the budget year. The amount which may be budgeted as the budget balance carry forward in any one fiscal year ~~shall not exceed four per cent of the school district's revenue control limit, as provided in section 15-947, subsection A, for the current year and~~ shall not include any budget balance attributable to any reduction in the district's general budget limit including reductions for items which are exempt from the revenue control limit and for which expenditures are limited to a designated purpose such as excess insurance costs or excess utility costs or for the bond issues portion of the cost of tuition. The amount budgeted as the budget balance carry forward is specifically exempt from the revenue control limit.

B. If the actual amount of the allowable budget balance carry forward is less than the amount budgeted for the budget balance carry forward, the governing board shall adjust the general budget limit and expenditures before May 15 based on the actual allowable budget balance carry forward. If the actual amount of the allowable budget balance carry forward is more than the amount budgeted for the budget balance carry forward, the governing board may adjust its budget before May 15 based on the actual amount of the allowable fund balance carry forward. Not later than May 18, the budget as revised shall be submitted electronically to the superintendent of public instruction.

C. If the governing board is eligible to budget for a budget balance carry forward as provided in subsection A of this section, the governing board may transfer an amount from the district's ending cash balance of the maintenance and operations fund to the school opening fund. The maximum amount that may be transferred is the lesser of the district's ending cash balance in the maintenance and operations fund or the amount the district is eligible to budget as a budget balance carry forward. The school opening fund is a cash controlled fund as provided in section 15-905, subsection N, and may only be expended for the additional maintenance and operations expenses incurred in the first year of operation of a new school within the school district. The monies in the school opening fund are not subject to reversion, except that at the end of five years of no activity in the fund, any remaining monies shall be reverted to the maintenance and operations fund. Any monies so reverted may be considered additional budget balance for that fiscal year.

D. If a governing board transfers monies as provided in subsection C of this section, the amount so transferred in a fiscal year shall be subtracted from the amount the district would otherwise be eligible to budget for that fiscal year as provided in subsection A of this section. The difference, if any, is the maximum amount that may be budgeted for that fiscal year as a budget balance carry forward.

E. For purposes of this section, "budget balance" means the difference between actual and budgeted expenditures.

Sec. 7. Section 15-991, Arizona Revised Statutes, is amended to read:
15-991. Annual estimate by county school superintendent of monies for ensuing year

A. The county school superintendent, not later than August 1 each year, shall file in writing with the governing board of each school district in the county and the board of supervisors the superintendent's estimate of the amount of school monies required by each school district for the ensuing year, based on the budgets adopted by the governing boards of the school districts. The estimate shall contain:

1. A statement of the student count of each school district.
2. The total amount to be received for the year by each school district from the county school fund and the special county school reserve fund.
3. The ending cash balance from the previous year for each school district.
4. The anticipated interest earnings for each school district.
5. Revenues equal to the amount included in the adopted budget for the maintenance and operation section of the budget permitted by section 15-947, subsection C, paragraph 2, subdivision (a), items (ii), (iii), (iv), (v) and (vi) and subdivision (d). The county school superintendent shall estimate the additional amounts needed for each school district from the primary property tax and the secondary property tax and shall certify such amounts to

1 the board of supervisors in writing at the time of filing the estimate. When
2 estimating the additional amount needed from the primary property tax for a
3 school district that is not eligible for any equalization assistance as
4 provided in section 15-971, the county school superintendent shall include
5 the school district governing board's estimate of the increase in the revenue
6 control limit as prescribed by section 15-948 for the applicable year, except
7 that the percentage increase in average daily membership used to compute the
8 estimated increase in the revenue control limit may not exceed the average of
9 the percentage increase in average daily membership in the three years before
10 the year for which the estimate is made.

11 B. The county school superintendent shall recompute equalization
12 assistance for education for each school district as provided in section
13 15-971, subsection A using the property values provided by the county
14 assessor as provided in section 42-17052. The county school superintendent
15 shall certify in writing the amount of equalization assistance for education
16 and the amount needed for each school district from the primary property tax
17 to the board of supervisors on or before the third day prior to the day the
18 board of supervisors is required to levy school district taxes as provided in
19 section 15-992.

20 C. The county school superintendent shall compute the additional
21 amount to be levied as provided in section 15-992, subsection B, using the
22 property values provided in section 42-17052. The county school
23 superintendent shall certify in writing the additional amount to be levied to
24 the county board of supervisors on or before the third day prior to the day
25 the board of supervisors is required to levy school district taxes as
26 provided in section 15-992.

27 D. On or before September 1, the governing board of a school district
28 shall file with the county school superintendent an estimate of the amount of
29 P.L. 81-874 monies which it is eligible to receive during the current year.
30 On or before June 1, the governing board shall file with the county school
31 superintendent and the superintendent of public instruction a statement of
32 the actual amount of P.L. 81-874 monies it received during the current
33 year. This subsection does not apply to accommodation schools.

34 ~~E. On or before September 15, the governing board of a school district~~
35 ~~shall prepare a final estimate of revenue from all sources and shall maintain~~
36 ~~a copy that is available for public inspection. Additional copies of the~~
37 ~~final estimate of revenue shall be sent to the county school superintendent~~
38 ~~and submitted electronically to the superintendent of public instruction.~~
39 ~~School districts that are subject to section 15-914.01 are not required to~~
40 ~~send a copy to the county school superintendent.~~

41 E. THE DEPARTMENT MAY COLLECT ANY OTHER SIMILAR OR RELATED INFORMATION
42 FROM SCHOOL DISTRICTS THAT THE DEPARTMENT MAY DETERMINE IS NECESSARY TO CARRY
43 OUT THE PURPOSES OF THIS SECTION.

1 Sec. 8. Section 35-501, Arizona Revised Statutes, is amended to read:

2 35-501. Department of revenue records of bond issues; debt
3 level analysis and report

4 A. By June 30 of each year, the department of revenue shall ascertain
5 and record in its office all issues of bonds, certificates of participation
6 or other securities issued for a term in excess of one year by the state or a
7 county, city, town, school district, irrigation district, other political
8 subdivision or municipal property corporation within the state. The record
9 shall show the date of issuance, amount, denomination, rates of interest,
10 maturity, dates of the bonds, certificates of participation or securities and
11 other information the department requires.

12 B. The reports relating to the issuance of bonds and securities
13 required under subsection A shall be filed with the department of revenue
14 within sixty days of the issuance and shall contain the following
15 information:

- 16 1. The par amount of the bonds or securities.
- 17 2. The interest rate, by maturity of the bonds or securities.
- 18 3. The repayment schedule, showing both principal and interest for the
19 issue.
- 20 4. The sources of repayment.
- 21 5. The original issue price and any premium or discount, by maturity,
22 for the issue.
- 23 6. A detailed listing of all issuance costs, regardless of source of
24 payment, including underwriter's compensation, bond counsel fees, financial
25 advisor fees, verification agent fees, placement agent fees, investment
26 securities brokerage fees, registrar fees, trustee fees, credit enhancement
27 fees, rating agency fees, printing costs, registration fees, transfer and
28 recording fees and any other costs directly or indirectly earned or paid as a
29 result of the issuance of the bonds or securities, as determined by the
30 department.
- 31 7. The total amount of parity bonds or securities outstanding,
32 including the issue, at the time of issuance.
- 33 8. The total amount of any bonds or securities, senior or subordinate
34 to the issue outstanding at the time of issuance.
- 35 9. The amount of any constitutional or statutory limitation on the
36 issuance of bonds or securities of the type issued.
- 37 10. The remaining amount of bonds or securities that may be issued
38 within the limitation determined in paragraph 9.
- 39 11. The amount of any constitutional or statutory voter authorization
40 applicable to the issuance of bonds or securities of the type issued.
- 41 12. The remaining amount of bonds or securities that may be issued
42 within the authorization determined in paragraph 9.
- 43 13. Any other similar or related information the department may
44 determine.

C. By December 15 of each year, the department of revenue shall provide to the governor, the president of the senate and the speaker of the house of representatives a report of the information collected pursuant to subsection A. This report shall include an analysis of the outstanding indebtedness of each jurisdiction and the relationship of the outstanding indebtedness to the appropriate debt limitations in article IX, sections 5, 8 and 8.1, Constitution of Arizona.

D. If as a result of the analysis conducted pursuant to subsection C the department of revenue determines that the outstanding indebtedness of a jurisdiction is in excess of the debt limitation prescribed by the Constitution or statutes of Arizona, the department of revenue shall notify the governing body or board of the jurisdiction, the governor, the president of the senate, the speaker of the house of representatives and, in the case of a school district, the superintendent of public instruction.

E. The director of the department of revenue shall notify the person or governing body responsible for complying with this section of a failure to comply in whole or in part with the requirements of this section. Any person or governing body so notified shall comply within thirty days. Any county, city, town, school district, irrigation district or other political subdivision of the state that fails to comply fully with the provisions of this article shall not issue any additional bonds or other securities.

F. A SCHOOL DISTRICT GOVERNING BOARD IS NOT REQUIRED TO SUBMIT AN ANNUAL REPORT PURSUANT TO THIS SECTION FOR LEASE-PURCHASE TRANSACTIONS AND TRANSACTIONS THAT INVOLVE THIRD PARTY FINANCING CONTRACTS.

Sec. 9. Section 35-502, Arizona Revised Statutes, is amended to read:
35-502. Reports to department of revenue; omission or refusal to comply; classification; exemption

A. The state treasurer and the governing body of the county, city, town, district or other political subdivision shall make such reports to the department of revenue as the department requires relating to the issuance of the bonds and securities provided by section 35-501, and shall notify the department of the retirement of any such bonds, and of all payments of interest thereon, immediately upon retirement of the bond or payment of interest.

B. Any person or member of any governing body knowingly omitting or refusing to comply with the orders of the department issued pursuant to this article is guilty of a class 2 misdemeanor.

C. A SCHOOL DISTRICT GOVERNING BOARD IS EXEMPT FROM THE PROVISIONS OF THIS SECTION WITH RESPECT TO LEASE-PURCHASE TRANSACTIONS AND THIRD PARTY FINANCING CONTRACTS.

1 Sec. 10. Section 43-1089.01, Arizona Revised Statutes, is amended to
2 read:

3 43-1089.01. Tax credit; public school fees and contributions;
4 definitions

5 A. A credit is allowed against the taxes imposed by this title for the
6 amount of any fees or cash contributions made by a taxpayer during the
7 taxable year to a public school located in this state for the support of
8 extracurricular activities or character education programs of the public
9 school, but not exceeding:

10 1. Two hundred dollars for a single individual or a head of household.

11 2. Two hundred fifty dollars for a married couple filing a joint
12 return. A husband and wife who file separate returns for a taxable year in
13 which they could have filed a joint return may each claim only one-half of
14 the tax credit that would have been allowed for a joint return.

15 B. The credit allowed by this section is in lieu of any deduction
16 pursuant to section 170 of the internal revenue code and taken for state tax
17 purposes.

18 C. If the allowable tax credit exceeds the taxes otherwise due under
19 this title on the claimant's income, or if there are no taxes due under this
20 title, the taxpayer may carry the amount of the claim not used to offset the
21 taxes under this title forward for not more than five consecutive taxable
22 years' income tax liability.

23 D. The site council of the public school that receives contributions
24 that are not designated for a specific purpose shall determine how the
25 contributions are used at the school site. If a charter school does not have
26 a site council, the principal, director or chief administrator of the charter
27 school shall determine how the contributions that are not designated for a
28 specific purpose are used at the school site.

29 ~~E. A public school that receives fees or a cash contribution pursuant~~
30 ~~to subsection A of this section shall report to the department, in a form~~
31 ~~prescribed by the department, by February 28 of each year the following~~
32 ~~information:~~

33 ~~1. The total number of fee and cash contribution payments received~~
34 ~~during the previous calendar year.~~

35 ~~2. The total dollar amount of fees and contributions received during~~
36 ~~the previous calendar year.~~

37 ~~3. The total dollar amount of fees and contributions spent by the~~
38 ~~school during the previous calendar year, categorized by specific~~
39 ~~extracurricular activity or character education program.~~

40 ~~4. The total number of children who participated in each~~
41 ~~extracurricular activity or character education program funded by the fees or~~
42 ~~contributions during the previous calendar year, categorized by specific~~
43 ~~extracurricular activity or character education program.~~

1 ~~F.~~ E. For the purposes of this section:

2 1. "Character education programs" means a program described in section
3 15-719.

4 2. "Extracurricular activities" means school sponsored activities that
5 require enrolled students to pay a fee in order to participate including fees
6 for:

7 (a) Band uniforms.

8 (b) Equipment or uniforms for varsity athletic activities.

9 (c) Scientific laboratory materials.

10 (d) In-state or out-of-state trips that are solely for competitive
11 events. Extracurricular activities ~~does~~ DO not include any senior trips or
12 events that are recreational, amusement or tourist activities.